

HOLTON TOWNSHIP
(Muskegon)
AUDITED FINANCIAL STATEMENTS

JUNE 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Holton Township	County Muskegon
Audit Date 6/30/04	Opinion Date 7/28/04	Date Accountant Report Submitted to State: 10/15/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Accounting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hendon & Slate PC			
Street Address 711 W Main		City Fremont	State MI
Accountant Signature <i>Jodi DeKuyper, CPA</i>		ZIP 49412	Date 10/15/04

HOLTON TOWNSHIP
Board Members

Supervisor

Mickey Noble

Clerk

Melanie Johnson

Treasurer

Wanda McCastle

Trustee

Ruth Monette

Trustee

Bill Halbower

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 5
BASIC FINANCIAL STATEMENTS:	
Governmental Wide Statement of Net Assets	6
Governmental Wide Statement of Activities	7
Governmental Fund Balance Sheet	8
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	9
Governmental Fund Statements of Revenue, Expenditures, and Changes in Fund Balance	10
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Net Assets - Fiduciary Funds	12
Notes to the Financial Statements	13 - 22
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparisons for Major Funds:	
General Fund	23
Fire Fund	24
Fire Equipment Fund	25
Perpetual Care Fund	26
SUPPLEMENTAL INFORMATION:	
Combining Balance Sheet - Non-Major Governmental Funds	27
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds	28

Table of Contents (continued)

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	29 - 33
Combining Balance Sheet - Special Revenue Funds	34
Combining Statement of Revenues, Expenditures and Changes In Fund Balance - Special Revenue Funds	35
Statement of Revenues, Expenditures and Changes in Fund Balance - Fire Fund - Budget and Actual	36
Statement of Revenues, Expenditures and Changes in Fund Balance - Fire Volunteer Fund - Budget and Actual	37
Statement of Revenues, Expenditures and Changes in Fund Balance - Liquor Law Enforcement Fund - Budget and Actual	38
Statement of Revenues, Expenditures and Changes in Fund Balance - Fire Equipment Fund - Budget and Actual	39
Statement of Revenues, Expenditures and Changes in Fund Balance - Street Light Fund - Budget and Actual	40
Statement of Revenues, Expenditures and Changes in Fund Balance - Roads, Sidewalks and Bridges Fund - Budget and Actual	41
Statement of Revenues, Expenditures and Changes in Fund Balance - Perpetual Care Fund - Budget and Actual	42
Combining Balance Sheet - All Trust and Agency Funds	43
Statement of Changes in Assets and Liabilities - Tax Collection Fund	44
Statement of Changes in Assets and Liabilities - Trust and Agency Fund	45

HS & Companies



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



July 28, 2004

Township Board
Holton Township
Muskegon County
Holton, MI 49425

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holton Township, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Holton Township, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall general purpose financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Holton Township, Michigan, as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, Holton Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 23 through 26, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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July 28, 2004

Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Holton Township, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hendon & Slate, P.C.

Hendon & Slate, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 4% from a year ago - increasing from \$1.15 million to \$1.20 million. This was the result of improvements in the transfer station management reflecting an improved revenue from that source. In a condensed format, the table below shows key financial information (in future years, when prior year information is available, a comparative analysis of government wide data will be presented):

	Governmental Activities 2004
Current Assets	\$ 810,864
Noncurrent Assets	<u>479,191</u>
Total Assets	<u>\$ 1,290,055</u>
Long-Term Debt Outstanding	\$ 43,032
Other Liabilities	<u>47,297</u>
Total Liabilities	<u>\$ 90,329</u>
Net Assets	
Invested in Capital Assets-Net of Debt	\$ 413,555
Restricted	46,635
Unrestricted	<u>739,536</u>
Total Net Assets	<u>\$ 1,199,726</u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operations, increased by \$16,479 for the governmental activities. This represents an increase of approximately 2 1/3%.

	Governmental Activities 2004
Program Revenues	
Charges for Services	\$ 89,669
General Revenues	
Property Taxes	170,613
State Shared Revenues	205,036
Investment Earnings	8,557
Miscellaneous	<u>19,638</u>
Total Revenues	493,513

Management's Discussion and Analysis (Continued)

	Governmental <u>Activities</u> <u>2004</u>
Program Expenses	
General Government	\$ 283,826
Public Safety	81,861
Public Works	49,920
Recreation & Culture	20,526
Unallocated Depreciation	9,704
Interest on Long-Term Debt	<u>2,342</u>
Total Expenses	<u>448,179</u>
Change in Net Assets	<u>\$ 45,334</u>

The Township's total net assets continue to remain healthy. The total revenues grew slightly, however, expenses increased. As a result, net assets grew by \$45,334.

Governmental Activities

The Township's total governmental revenues increased by approximately \$5.5 thousand, primarily due to the improvement in transfer station fee collections. The second largest increase, compared to the prior year, was property taxes. It was due to the regular increases in property tax values.

Expenses increased by about \$141 thousand during the year. This was primarily the result of purchases of several capital assets with long-term debt.

Business-Type Activities

The Township had no business-type activities.

The Township's Fund

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2004 include the General Fund, the Fire Fund, the Fire Equipment Fund and the Perpetual Care Fund.

The General Fund pays for most of the Township's governmental services. About half of the General Fund expenditures are made up of township hall, cemetery, and general government, amounting to \$67,901; \$52,666 and \$55,608 respectively. Approximately half of the township hall and cemetery expenditures were a result of capital purchases. The general government expenditures were about 1/3 for professional fees and another 1/3 for insurance, pension and payroll taxes.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did not find it necessary to amend the budget to take into account events during the year. However, the Board over-expended on several activities as reported in the notes to the financial statements.

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2004, the Township had \$702,000 invested in a broad range of capital assets, including land, buildings, fire trucks and equipment, and other vehicles and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads property of the Muskegon County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2004 calls for a small increase in property taxes due to the limited allowed property value increases (the lesser of inflation or 5%). The Township also projects that State Shared Revenue will decrease about 6 ½% compared with a 4% decrease experienced during 2003-04. General Fund expenditures were budgeted for 9% more than the previous budget including \$10,000 to set aside a portion of fund balance for future township hall expenses.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

HOLTON TOWNSHIP

Government Wide Statement of Net Assets June 30, 2004

Governmental Activities

ASSETS

Cash	\$ 774,622
Accounts Receivable	31,980
Accounts Receivable - Fiduciary Funds	3,196
Prepaid Insurance	1,066
Property and Equipment	701,955
Accumulated Depreciation	<u>(222,764)</u>
Total Assets	\$ 1,290,055

LIABILITIES

Accounts Payable	16,392
Withheld and Accrued Payroll Taxes	1,816
Accrued Pension Costs	1,953
Customer Deposits	4,000
Due to Other Units	532
Current Portion Long-Term Debt	22,604
Capital Lease - Copier	5,042
Note Payable - Tractor and Trailer	9,112
Note Payable - Rescue Van	<u>28,878</u>
Total Liabilities	<u>90,329</u>

NET ASSETS

Invested in Capital Assets Net of Related Debt	413,555
Restricted for Perpetual Care	46,635
Unrestricted	<u>739,536</u>
Total Net Assets	<u>\$ 1,199,726</u>

The Notes to the Financial Statements are an integral part of this statement.

HOLTON TOWNSHIP

Government Wide Statement of Activities For the Fiscal Year Ended June 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue And Changes in Net Assets Governmental Activities</u>
Primary Government			
General Government	\$ 283,826	\$ 5,709	\$ (278,117)
Public Safety	81,861	61,365	(20,496)
Public Works	49,920	22,595	(27,325)
Recreation and Culture	20,526	-	(20,526)
Unallocated Depreciation	9,704	-	(9,704)
Interest on Long-Term Debt	<u>2,342</u>	<u>-</u>	<u>(2,342)</u>
Total Primary Government	<u>\$ 448,179</u>	<u>\$ 89,669</u>	<u>\$ (358,510)</u>
General Revenues			
Property Taxes - Levied for General Purpose			\$ 57,800
Property Taxes - Levied for Public Safety			112,813
State Shared Revenue			205,036
Interest Income			8,557
Miscellaneous			<u>19,638</u>
Total General Revenues			<u>403,844</u>
Change in Net Assets			45,334
Net Assets - July 1, 2003			<u>1,154,392</u>
Net Assets - June 30, 2004			<u>\$ 1,199,726</u>

The Notes to the Financial Statements are an integral part of this statement.

HOLTON TOWNSHIP

Governmental Fund Balance Sheet
June 30, 2004

ASSETS		General Fund	Fire Fund	Fire Equipment Fund	Perpetual Care Fund	Non-Major Governmental Funds	Total Governmental Funds
Cash		\$ 449,782	\$ 172,192	\$ 89,473	\$ 47,567	\$ 15,608	\$ 774,622
Accounts Receivable		31,980	-	-	-	-	31,980
Due from Other Funds		18,162	-	-	-	16,721	34,883
Prepaid Insurance		-	<u>1,066</u>	-	-	-	<u>1,066</u>
Total Assets		<u>\$ 499,924</u>	<u>\$ 173,258</u>	<u>\$ 89,473</u>	<u>\$ 47,567</u>	<u>\$ 32,329</u>	<u>\$ 842,551</u>
LIABILITIES							
Accounts Payable		\$ 15,332	\$ 557	\$ -	\$ -	\$ 503	\$ 16,392
Withheld and Accrued Payroll Taxes		1,216	585	-	-	15	1,816
Accrued Pension Costs		517	1,436	-	-	-	1,953
Customer Deposits		4,000	-	-	-	-	4,000
Due to Other Funds		-	24,025	6,730	932	-	31,687
Due to Other Units		<u>302</u>	<u>221</u>	-	-	<u>9</u>	<u>532</u>
Total Liabilities		21,367	26,824	6,730	932	527	56,380
FUND BALANCES							
Unrestricted		478,557	146,434	82,743	-	31,802	739,536
Restricted		-	-	-	<u>46,635</u>	-	<u>46,635</u>
Total Fund Balance		<u>478,557</u>	<u>146,434</u>	<u>82,743</u>	<u>46,635</u>	<u>31,802</u>	<u>786,171</u>
Total Liabilities and Fund Balance		<u>\$ 499,924</u>	<u>\$ 173,258</u>	<u>\$ 89,473</u>	<u>\$ 47,567</u>	<u>\$ 32,329</u>	<u>\$ 842,551</u>

The Notes to the Financial Statements are an integral part of this statement.

HOLTON TOWNSHIP

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Fiscal Year Ended June 30, 2004

Total Governmental Fund Balances	\$ 786,171
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	701,955
Governmental Accumulated Depreciation	(222,764)

Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:

General Obligation Debt	<u>(65,636)</u>
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Total Net Assets - Governmental Activities:	<u>\$ 1,199,726</u>
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The Notes to the Financial Statements are an integral part of this statement.

HOLTON TOWNSHIP

Governmental Fund Statements of Revenue, Expenditures and Changes in Fund Balance For the Fiscal Year Ended June 30, 2004

	General Fund	Fire Fund	Fire Equipment Fund	Perpetual Care Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 57,800	\$ 78,318	\$ 27,374	\$ -	\$ 7,121	\$ 170,613
Licenses and Permits	2,164	-	-	-	-	2,164
State Shared Revenue	203,894	-	-	-	1,142	205,036
Federal Sources	-	-	-	-	2,985	2,985
Charges for Services	62,063	27,606	-	-	-	89,669
Interest	6,113	1,002	908	478	56	8,557
Miscellaneous	12,768	495	-	350	266	13,879
Total Revenues	344,802	107,421	28,282	828	11,570	492,903
Expenditures						
General Government	199,465	83,143	-	-	-	282,608
Public Safety	44,403	-	-	-	1,874	46,277
Public Works	34,685	-	-	-	15,235	49,920
Recreation and Culture	10,526	-	-	-	-	10,526
Capital Outlay	63,545	21,648	52,895	-	-	138,088
Debt Service	10,210	-	25,566	-	-	35,776
Total Expenditures	362,834	104,791	78,461	-	17,109	563,195
Excess Revenues Over (Under) Expenditures	(18,032)	2,630	(50,179)	828	(5,539)	(70,292)
Other Financing Sources (Uses)						
Operating Transfers In (Out)	(9,276)	-	-	-	9,276	-
Capital Lease Payments	(1,281)	-	-	-	-	(1,281)
Sale of Fixed Assets	2,110	-	500	-	-	2,610
Proceeds from Long-Term Debt	33,375	-	52,895	-	-	86,270
Total Other Financing Sources (Uses)	24,928	-	53,395	-	9,276	87,599
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	6,896	2,630	3,216	828	3,737	17,307
Prior Period Adjustment	25,378	-	-	-	-	25,378
Fund Balance - July 1	446,283	143,804	79,527	45,807	28,065	743,486
Fund Balance - June 30	\$ 478,557	\$ 146,434	\$ 82,743	\$ 46,635	\$ 31,802	\$ 786,171

The Notes to the Financial Statements are an integral part of this statement.

HOLTON TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ 17,307

Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities:

Capital outlay reported in governmental fund statements	85,193	
Capital outlay reported as expenses in statement of activities	(25,681)	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) assets.	(2,288)	
Depreciation expense reported in the statement of activities	<u>(30,640)</u>	26,584

Proceeds from debt issues are another financing source in the funds, but a debt issue increases long-term obligations in the statement of net assets.

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.

Proceeds from long-term debt reported in governmental fund statements	(33,375)
The amount of debt principal payments in the current year is:	<u>34,818</u>

Changes in Net Assets - Governmental Activities \$ 45,334

The Notes to the Financial Statements are an integral part of this statement.

HOLTON TOWNSHIP

Statement of Net Assets - Fiduciary Funds June 30, 2004

	<u>Tax Fund</u>	<u>Trust & Agency Fund</u>
ASSETS		
Cash	<u>\$ 2,779</u>	<u>\$ 1,642</u>
LIABILITIES		
Due to Other Funds	\$ 2,777	\$ 419
Due to Other Units	<u>2</u>	<u>1,223</u>
Total Liabilities	<u>\$ 2,779</u>	<u>\$ 1,642</u>

The Notes to the Financial Statements are an integral part of this statement.

HOLTON TOWNSHIP

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Holton Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Holton Township:

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based upon this criteria, there are no other entities included in this report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular

function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

- C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period. The state shared revenue payment for June 2004 was not received by June 30, 2004, therefore it is included as a receivable.

1. State Shared Revenue Receivable

State shared revenue is distributed in 6 installments per year. Often the last payment has not been received by June 30; therefore, a receivable is recorded for this amount. For fiscal year-end June 30, 2004, this amount was \$31,397.

2. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2003 delinquent taxes of \$25,863 were received in June 2004, thus no taxes receivable has been recorded.

Notes to the Financial Statements (Continued)

The 2003 taxable valuation of the Township totaled \$39,841,538 on which ad valorem taxes levied consisted of 1.1151 mills for general operating, .6883 mills for fire equipment, and 1.9689 mills for fire operating raising \$57,800 for operating, \$27,374 for fire equipment and \$78,318 for fire operational. The Township also collects property taxes for street lights, the taxable value is \$4,106,497 and the millage rate is 1.7100 which raised \$7,121. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the resources of property tax revenue and charges for services that are restricted for operational purposes.

The Fire Equipment Fund accounts for property tax revenues that are restricted for the purchase of fire/emergency equipment.

The Perpetual Care Fund is to account for money held by the Township for the perpetual care of cemetery lots. The interest earned on investments may be used for upkeep while the corpus is non-expendable.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Notes to the Financial Statements (Continued)

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. There were no material inventories at year-end.

Restricted Assets - Cash in the Perpetual Care Fund is restricted. The corpus can not be spent, however income earned from the restricted cash may be used to maintain the cemetery.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
General Equipment	5 to 10 years
Fire Trucks	50 to 20 years

Salvage value is estimated at 10% of cost.

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick pay benefits. Vacation benefits do not accumulate. Any unused vacation is paid annually. This year no accrual for sick pay was necessary.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. All Township long-term debt is related to equipment purchases.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Notes to the Financial Statements (Continued)

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were materially in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
General Fund - Township Hall	\$ 55,494	\$ 67,501
General Fund - Cemetery	46,591	52,666
General Fund - General Government	52,200	55,608
General Fund - Building Inspection	14,350	17,558
General Fund - Ordinance Administrator	5,297	9,544
Fire Equipment Fund - Capital Outlay	30,000	52,895
Fire Equipment Fund - Debt Service	-	25,566

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designed six banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CD's, bankers' acceptances of United States banks,

Notes to the Financial Statements (Continued)

and mutual funds under the Investment Company Act of 1940, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	Governmental <u>Activities</u>	Fiduciary <u>Funds</u>	Total Primary <u>Government</u>
Cash and Cash Equivalents	\$ 774,622	\$ 4,421	\$ 779,043

The bank balance of the Township's deposits is \$811,949, of which \$355,902 is covered by federal depository insurance, \$94,021 is uninsured and \$362,026 is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Depositories actively used by the Township during the year are detailed as follows:

1. Chemical Bank
2. Fifth Third Bank
3. Valley Ridge Bank
4. National City Bank
5. Shelby State Bank

NOTE D RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

Notes to the Financial Statements (Continued)

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Fire Equipment Fund</u>	<u>Perpetual Care Fund</u>	<u>Non-Major and Other Funds</u>	<u>Total</u>
State Shared Revenue	\$ 31,397	\$ -	\$ -	\$ -	\$ -	\$ 31,397
Fiduciary Funds	3,196	-	-	-	-	3,196
Other Gross Receivables	583	-	-	-	-	583
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Receivables	\$ 35,176	\$ -	\$ -	\$ -	\$ -	\$ 35,176

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 149,185	\$ -	\$ -	\$ 149,185
Capital Assets Being Depreciated				
Buildings	132,360	3,000	-	135,360
Land Improvements	5,597	-	-	5,597
General Equipment	9,510	56,444	4,500	61,454
Fire Equipment	<u>291,964</u>	<u>59,895</u>	<u>1,500</u>	<u>350,359</u>
Subtotal	439,431	119,339	6,000	552,770
Less Accumulated Depreciation for				
Buildings	36,328	2,444	-	38,772
Land Improvements	-	252	-	252
General Equipment	5,534	7,008	2,565	9,977
Fire Equipment	<u>153,975</u>	<u>20,936</u>	<u>1,148</u>	<u>173,763</u>
Subtotal	<u>195,837</u>	<u>30,640</u>	<u>3,713</u>	<u>222,764</u>
Net Capital Assets Being Depreciated	243,594	88,699	2,287	330,006
Total Governmental Activities Capital Capital Assets - Net of Depreciation	<u>\$ 392,779</u>	<u>\$ 88,699</u>	<u>\$ 2,287</u>	<u>\$ 479,191</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Public Safety	\$ 20,936
Unallocated	<u>9,704</u>
Total Governmental Activities	30,640

Notes to the Financial Statements (Continued)

NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund (Due From)</u>	<u>Amount</u>	<u>Payable Fund (Due To)</u>	<u>Amount</u>
General Fund	\$ 18,162	Fire Fund	\$ 24,025
Liquor License	481	Fire Equipment	6,730
Road, Sidewalk, Bridges	6,321	Perpetual Care Fund	932
Street Light	<u>9,919</u>	Trust and Agency Fund	419
	34,883	Tax Account	<u>2,777</u>
			34,883
Interfund Transfers		<u>Transfers (Out)</u>	
Transfers In		<u>General Fund</u>	
Non-Major Governmental Funds			\$ 9,276

NOTE G LEASES

Capital Leases - The government has entered into a lease agreement as lessee for financing the purchase of copy machines. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

<u>Year Ended June 30</u>	
2005	\$ 1,375
2006	1,375
2007	1,375
2008	1,375
2009	<u>573</u>
Total Minimum Lease Payments	6,073
Less: Amounts Representing Interest	<u>1,032</u>
Present Value	<u>\$ 5,041</u>

NOTE H LONG-TERM DEBT

The Township entered into an agreement to purchase a fire truck for \$143,717. A down payment of \$40,000 was made upon delivery, August 15, 1994, with the balance to be financed over ten years. Payments of \$14,596.78, including 6.75% interest are due annually from August 15, 1995 to August 15, 2004. The loan is collateralized by the truck and the full faith and credit of the Township.

Notes to the Financial Statements (Continued)

The Township entered into an agreement to purchase equipment for \$27,733. A down payment of \$2,500 was made upon delivery, July 23, 2003, with the balance to be financed over 36 months. Payments of \$700.90, including 9% interest, are due monthly from August 23, 2003 to July 23, 2006. The loan is collateralized by the equipment and the full faith and credit of the Township.

The Township entered into an agreement to purchase a fire rescue van on October 27, 2003 for \$52,895. The full amount is financed over 4 years, with payments of \$3,548.26, including 3.5% interest paid quarterly commencing December 27, 2003 and ending September 27, 2007. The loan is collateralized by the rescue van and the full faith and credit of the Township.

Contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balances</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
Installment Purchase Agreements						
Fire Rescue Van	3.5%	9/27/07	\$ -	\$ 43,071	\$ 43,071	\$ 14,193
Fire Truck	6.75%	8/15/04	13,674	(13,674)	-	-
Equipment	0%	7/23/06	-	17,523	17,523	8,411
Total Governmental Activities			13,674	46,920	60,594	22,604

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 21,264	\$ 1,340
2006	21,720	884
2007	14,482	412
2008	3,128	27
2009	-	-
2010 - 2014	-	-
2015-2019	-	-
2020-2024	-	-
Total	60,594	2,663

NOTE I RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE J EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan

The Township provides pension benefits to all if its elected officials and full time employees through a defined contribution plan administered by Manufacturers Life

Notes to the Financial Statements (Continued)

Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on August 1st of each year. As established by the Township Board, the plan is funded by participants to the extent they elect to defer their compensation into the plan, and by a matching contribution from the Township. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately upon deposit of the contribution by the Township. The Township's current year pension cost was \$6,472. The Township paid \$5,572 during the year, including participant fees. \$4,206 was paid on behalf of the employees in the current year. The contribution is 10% of covered wages, with the Township contributing 50% of the cost and the employees 50%. Covered payroll for the current year is \$92,311; and total payroll of the Township is \$128,829.

NOTE K RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE L PERMITS

Public Act 245 of 1999 (The Stille-Derossett-Hale Single State Construction Code Act) restricts the use of fees collected under this Act for the operation of the enforcing agency and/or the Construction Board of Appeals effective January 1, 2000. The following is the required accounting for such fees:

Beginning Excess Costs Over Fees Collected	\$ (14,852)
Fees Collected 2004	33,759
Wages, Professional Fees and Other Expenses	<u>(37,158)</u>
Excess Costs Over Fees Collected	<u>\$ (18,251)</u>

HOLTON TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended June 30, 2004

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 446,283	\$ 446,283	\$ 446,283	\$ -
Resources (Inflows)				
Property Taxes	55,250	55,250	57,800	2,550
State Shared Revenue	213,937	213,937	203,894	(10,043)
Charges for Services	55,235	55,235	62,063	6,828
Interest	20,222	20,222	6,113	(14,109)
Proceeds from Long-Term Debt	-	-	33,375	33,375
Miscellaneous	<u>13,020</u>	<u>13,020</u>	<u>17,042</u>	<u>4,022</u>
Amounts Available for Appropriation	<u>\$ 803,947</u>	<u>\$ 803,947</u>	<u>\$ 826,570</u>	<u>\$ 22,623</u>
Changes to Appropriations (Outflows)				
General Government	\$ 240,523	\$ 240,523	\$ 253,010	\$ (12,487)
Public Safety	47,703	47,703	44,403	3,300
Public Works	36,659	36,659	34,685	1,974
Recreation and Culture	26,150	26,150	20,526	5,624
Debt Service	-	-	10,210	(10,210)
Operating Transfers Out	25,000	25,000	9,276	15,724
Other	<u>-</u>	<u>-</u>	<u>1,281</u>	<u>(1,281)</u>
Total Charges to Appropriations	<u>376,035</u>	<u>376,035</u>	<u>373,391</u>	<u>2,644</u>
Budgetary Fund Balance - June 30, 2004	<u>\$ 427,912</u>	<u>\$ 427,912</u>	<u>\$ 453,179</u>	<u>\$ 19,979</u>

HOLTON TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for the Fire Fund For the Year Ended June 30, 2004

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 30,996	\$ 30,996	\$ 143,804	\$ 112,808
Resources (Inflows)				
Property Taxes	79,062	79,062	78,318	(744)
Charges for Services	24,034	24,034	27,606	3,572
Interest	5,000	5,000	1,002	(3,998)
Miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>495</u>	<u>(5,505)</u>
Amounts Available for Appropriation	<u>\$ 145,092</u>	<u>\$ 145,092</u>	<u>\$ 251,225</u>	<u>\$ 106,133</u>
Changes to Appropriations (Outflows)				
Wages and Fringes	\$ 37,000	\$ 37,000	\$ 33,596	\$ 3,404
Supplies	16,000	16,000	10,692	5,308
Professional Services	9,000	9,000	6,567	2,433
Insurance	15,000	15,000	14,303	697
Utilities	7,000	7,000	6,052	948
Repairs and Maintenance	7,000	7,000	6,989	11
Capital Outlay	30,000	30,000	21,648	8,352
Other	<u>21,000</u>	<u>21,000</u>	<u>4,944</u>	<u>16,056</u>
Total Charges to Appropriations	142,000	142,000	104,791	37,209
Budgetary Fund Balance - June 30, 2004	<u>\$ 3,092</u>	<u>\$ 3,092</u>	<u>\$ 146,434</u>	<u>\$ 143,342</u>

HOLTON TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for the Fire Equipment Fund For the Year Ended June 30, 2004

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 11,826	\$ 11,826	\$ 79,527	\$ 67,701
Resources (Inflows)				
Property Taxes	27,642	27,642	27,374	(268)
Interest	1,200	1,200	908	(292)
Proceeds from Long-Term Debt	-	-	52,895	52,895
Other	-	-	500	500
Amounts Available for Appropriation	<u>\$ 40,668</u>	<u>\$ 40,668</u>	<u>\$ 161,204</u>	<u>\$ 120,536</u>
Changes to Appropriations (Outflows)				
Capital Outlay	\$ 30,000	\$ 30,000	\$ 52,895	\$ (22,895)
Debt Service	-	-	25,566	(25,566)
Other	-	-	-	-
Total Charges to Appropriations	<u>30,000</u>	<u>30,000</u>	<u>78,461</u>	<u>(48,461)</u>
Budgetary Fund Balance - June 30, 2004	<u>\$ 10,668</u>	<u>\$ 10,668</u>	<u>\$ 82,743</u>	<u>\$ 72,075</u>

HOLTON TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for the Perpetual Care Fund For the Year Ended June 30, 2004

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Interest	550	550	478	(72)
Other	<u>-</u>	<u>-</u>	<u>350</u>	<u>350</u>
Amounts Available for Appropriation	<u>\$ 550</u>	<u>\$ 550</u>	<u>\$ 828</u>	<u>\$ 278</u>
Changes to Appropriations (Outflows)				
Repairs and Maintenance	\$ -	\$ -	\$ -	\$ -
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary Fund Balance - June 30, 2004	<u>\$ 550</u>	<u>\$ 550</u>	<u>\$ 828</u>	<u>\$ 278</u>

HOLTON TOWNSHIP

Combining Balance Sheet Non-Major Governmental Funds June 30, 2004

	<u>Special Revenue Funds</u>				
	<u>Fire Volunteer</u>	<u>Liquor</u>	<u>Street Lights</u>	<u>Roads, Sidewalks & Bridges</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS					
Cash	\$ 56	\$ 113	\$ 15,218	\$ 221	\$ 15,608
Due From Other Funds	<u>-</u>	<u>481</u>	<u>9,919</u>	<u>6,321</u>	<u>16,721</u>
Total Assets	<u>\$ 56</u>	<u>\$ 594</u>	<u>\$ 25,137</u>	<u>\$ 6,542</u>	<u>\$ 32,329</u>
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts Payable	\$ -	\$ 125	\$ 378	\$ -	\$ 503
Withheld and Accrued					
Payroll Taxes	-	15	-	-	15
Due to Other Funds	-	-	-	-	-
Due to Other Governments	<u>-</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>9</u>
Total Liabilities	-	149	378	-	527
Fund Equity					
Fund Balance	<u>56</u>	<u>445</u>	<u>24,759</u>	<u>6,542</u>	<u>31,802</u>
Total Liabilities and Fund Equity	<u>\$ 56</u>	<u>\$ 594</u>	<u>\$ 25,137</u>	<u>\$ 6,542</u>	<u>\$ 32,329</u>

HOLTON TOWNSHIP

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds For the Fiscal Year Ended June 30, 2004

	<u>Special Revenue Funds</u>				Total Non-Major Governmental Funds
	<u>Fire Volunteer</u>	<u>Liquor</u>	<u>Street Lights</u>	<u>Roads, Sidewalks & Bridges</u>	
Revenues					
Taxes	\$ -	\$ -	\$ 7,121	\$ -	\$ 7,121
State Sources	-	1,142	-	-	1,142
Federal Sources	-	-	-	2,985	2,985
Interest	-	2	53	1	56
Other Revenue	<u>266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266</u>
Total Revenues	<u>\$ 266</u>	<u>\$ 1,144</u>	<u>\$ 7,174</u>	<u>\$ 2,986</u>	<u>\$ 11,570</u>
Expenditures					
Public Safety	\$ 134	\$ 1,740	\$ -	\$ -	\$ 1,874
Public Works	<u>-</u>	<u>-</u>	<u>4,946</u>	<u>10,289</u>	<u>15,235</u>
Total Expenditures	134	1,740	4,946	10,289	17,109
Excess Revenue Over Expenditures	132	(596)	2,228	(7,303)	(5,539)
Other Financing Sources (Uses)					
Operating Transfers In (Out)	<u>-</u>	<u>1,041</u>	<u>-</u>	<u>8,235</u>	<u>9,276</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	132	445	2,228	932	3,737
Fund Balance - July 1, 2003	<u>(76)</u>	<u>-</u>	<u>22,531</u>	<u>5,610</u>	<u>28,065</u>
Fund Balance - July 1, 2004	<u>\$ 56</u>	<u>\$ 445</u>	<u>\$ 24,759</u>	<u>\$ 6,542</u>	<u>\$ 31,802</u>

HOLTON TOWNSHIP

Statement of Revenue, Expenditures and Change in Fund Balance - Budget and Actual - General Fund For the Fiscal Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES			
Property Taxes	\$ 55,520	\$ 57,800	\$ 2,280
Licenses and Permits	100	2,164	2,064
State Shared Revenue	213,937	203,894	(10,043)
Charges for Services			
Sale of Lots	6,635	5,709	(926)
Dump Fees	23,000	22,595	(405)
Inspections and Hearings	25,600	33,759	8,159
Interest	20,222	6,113	(14,109)
Rentals	1,550	300	(1,250)
Refunds - Reimbursements	3,500	4,107	607
Franchise Fees	4,700	4,814	114
Miscellaneous	<u>2,900</u>	<u>3,547</u>	<u>647</u>
Total Revenues	357,664	344,802	(12,862)
EXPENDITURES			
Legislative			
Township Board			
Salaries and Wages		19,256	
Transportation		155	
Miscellaneous		<u>53</u>	
	21,607	19,464	2,143
General Government			
Township Supervisor			
Salaries and Wages		10,822	
Transportation		278	
Education and Training		442	
Miscellaneous		<u>57</u>	
	12,322	11,599	723
Elections			
Supplies	3,475	280	3,195
Clerk			
Salaries and Wages		10,867	
Supplies		55	
Professional Services		438	
Transportation		358	
Education and Training		75	
Miscellaneous		<u>56</u>	
	\$ 14,522	\$ 11,849	\$ 2,673

Statement of Revenue, Expenditures and Change in Fund
Balance - Budget and Actual - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Treasurer			
Salaries and Wages		\$ 12,712	
Professional Services		437	
Transportation		450	
Supplies		155	
Miscellaneous		<u>20</u>	
	\$ 14,125	13,774	\$ 351
Assessor			
Professional Services	19,737	19,651	86
Township Hall			
Salaries and Wages		15,436	
Professional Services		3,759	
Supplies		5,298	
Transportation		17	
Repairs and Maintenance		7,606	
Utilities		9,747	
Miscellaneous		775	
Capital Outlay		<u>25,263</u>	
	55,494	67,901	(12,407)
Board of Review & Appeals			
Salaries and Wages	450	218	232
Cemetery			
Salaries and Wages		16,590	
Supplies		1,975	
Utilities		301	
Education and Training		140	
Miscellaneous		656	
Repairs		38	
Professional Services		4,684	
Capital Outlay		<u>28,282</u>	
	\$ 46,591	\$ 52,666	\$ (6,075)

Statement of Revenue, Expenditures and Change in Fund
Balance - Budget and Actual - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
General Government			
Payroll Taxes		\$ 4,967	
Pension		4,897	
Supplies		8,247	
Professional Services		21,012	
Printing and Publishing		2,938	
Insurance		11,380	
Dues		1,477	
Miscellaneous		<u>690</u>	
	<u>\$ 52,200</u>	<u>55,608</u>	<u>\$ (3,408)</u>
Total General Government	240,523	253,010	(12,487)
Public Safety			
Building Inspection			
Professional Services		17,036	
Supplies		71	
Miscellaneous		<u>451</u>	
	14,350	17,558	(3,208)
Electrical Inspection			
Professional Services		3,635	
Miscellaneous		<u>176</u>	
	4,600	3,811	789
Mechanical Inspection			
Professional Services		1,701	
Miscellaneous		<u>551</u>	
	3,800	2,252	1,548
Plumbing Inspections			
Professional Services		3,817	
Miscellaneous		<u>176</u>	
	2,500	3,993	(1,493)
Ordinance Administrator and Enforcer			
Salaries and Wages		8,759	
Supplies		93	
Transportation		581	
Miscellaneous		<u>111</u>	
	<u>\$ 5,297</u>	<u>\$ 9,544</u>	<u>\$ (4,247)</u>

Statement of Revenue, Expenditures and Change in Fund
Balance - Budget and Actual - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Planning and Zoning			
Salaries and Wages		\$ 3,027	
Supplies		43	
Professional Services		3,350	
Education and Training		732	
Miscellaneous		<u>93</u>	
	<u>\$ 17,156</u>	<u>7,245</u>	<u>\$ 9,911</u>
Total Public Safety	47,703	44,403	3,300
Public Works			
Transfer Station			
Salaries and Wages		3,944	
Professional Services		29,967	
Supplies		64	
Utilities		<u>310</u>	
	36,159	34,285	1,874
County Drains	<u>500</u>	<u>400</u>	<u>100</u>
Total Public Works	36,659	34,685	1,974
Recreation and Culture			
Parks			
Supplies		626	
Contract Services		4,013	
Capital Outlay		<u>10,000</u>	
	14,950	14,639	311
Library			
Salaries and Wages		2,111	
Professional Services		1,786	
Repairs and Maintenance		960	
Utilities		930	
Miscellaneous		<u>100</u>	
	<u>11,200</u>	<u>5,887</u>	<u>5,313</u>
Total Recreation and Culture	<u>26,150</u>	<u>20,526</u>	<u>5,624</u>
Debt Service			
Principal	-	10,210	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>-</u>	<u>10,210</u>	<u>(10,210)</u>
Total Expenditures	<u>\$ 351,035</u>	<u>\$ 362,834</u>	<u>\$ (11,799)</u>

Statement of Revenue, Expenditures and Change in Fund
Balance - Budget and Actual - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Excess Revenues Over (Under) Expenditures	\$ 6,629	\$ (18,032)	\$ (24,661)
Other Financing Sources (Uses)			
Operating Transfers Out	(25,000)	(9,276)	15,724
Capital Lease	-	(1,281)	(1,281)
Sale of Fixed Assets	-	2,110	2,110
Proceeds from Long-Term Debt	<u>-</u>	<u>33,375</u>	<u>33,375</u>
	(25,000)	24,928	49,928
Excess Revenues and Sources Over (Under) Expenditures and Uses	(18,371)	6,896	25,267
Prior Period Adjustments	-	25,378	25,378
Fund Balance - July 1, 2003	<u>446,283</u>	<u>446,283</u>	<u>-</u>
Fund Balance - June 30, 2004	<u>\$ 427,912</u>	<u>\$ 478,557</u>	<u>\$ 50,645</u>

HOLTON TOWNSHIP

Combining Balance Sheet - Special Revenue Funds
June 30, 2004

ASSETS	Fire Fund	Fire Volunteer	Liquor Law Enforcement Fund	Fire Equipment Fund	Street Light Fund	Roads Sidewalks and Bridges Fund	Perpetual Care Fund	Total
Cash	\$ 172,192	\$ 56	\$ 113	\$ 89,473	\$ 15,218	\$ 221	\$ 47,567	\$ 324,840
Due from Other Funds	-	-	481	-	9,919	6,321	-	16,721
Accounts Receivable	-	-	-	-	-	-	-	-
Prepaid Insurance	1,066	-	-	-	-	-	-	1,066
Total Assets	<u>\$ 173,258</u>	<u>\$ 56</u>	<u>\$ 594</u>	<u>\$ 89,473</u>	<u>\$ 25,137</u>	<u>\$ 6,542</u>	<u>47,567</u>	<u>\$ 342,627</u>

LIABILITIES AND FUND EQUITY

Liabilities								
Accounts Payable	\$ 557	\$ -	\$ 125	\$ -	\$ 378	\$ -	\$ -	\$ 1,060
Withheld and Accrued Payroll Taxes	585	-	15	-	-	-	-	600
Accrued Pension Costs	1,436	-	-	-	-	-	-	1,436
Due to Other Funds	24,025	-	-	6,730	-	-	932	31,687
Due to Other Governments	221	-	9	-	-	-	-	230
Total Liabilities	26,824	-	149	6,730	378	-	932	35,013
Fund Equity								
Unrestricted	146,434	56	445	82,743	24,759	6,542	-	260,979
Restricted	-	-	-	-	-	-	46,635	46,635
Total Liabilities and Fund Equity	<u>\$ 173,258</u>	<u>\$ 56</u>	<u>\$ 594</u>	<u>\$ 89,473</u>	<u>\$ 25,137</u>	<u>\$ 6,542</u>	<u>\$ 47,567</u>	<u>\$ 342,627</u>

HOLTON TOWNSHIP
Combining Statement of Revenues, Expenditures and Changes
in Fund Balance - Special Revenue Funds
For the Fiscal Year End June 30, 2004

Revenues	Fire Fund	Fire Volunteer	Liquor Law Enforcement Fund	Fire Equipment Fund	Street Light Fund	Road Sidewalks and Bridges Fund	Perpetual Care Fund	Total
Taxes	\$ 78,318	\$ -	\$ -	\$ 27,374	\$ 7,121	\$ -	\$ -	\$ 112,813
State Sources	-	-	1,142	-	-	-	-	1,142
Federal Sources	-	-	-	-	-	2,985	-	2,985
Charges for Services	27,606	-	-	-	-	-	-	27,606
Interest	1,002	-	2	908	53	1	478	2,444
Other Revenue	<u>495</u>	<u>266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350</u>	<u>1,111</u>
Total Revenues	107,421	266	1,144	28,282	7,174	2,986	828	148,101
Expenditures								
Public Safety	83,143	134	1,740	-	-	-	-	85,017
Public Works	-	-	-	-	4,946	10,289	-	15,235
Capital Outlay	21,648	-	-	52,895	-	-	-	74,543
Debt Service	-	-	-	23,498	-	-	-	23,498
Principal Retirement	-	-	-	<u>2,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,068</u>
Interest	-	-	-	-	-	-	-	-
Total Expenditures	<u>104,791</u>	<u>134</u>	<u>1,740</u>	<u>78,461</u>	<u>4,946</u>	<u>10,289</u>	<u>-</u>	<u>200,361</u>
Excess Revenues Over (Under)	2,630	132	(596)	(50,179)	2,228	(7,303)	828	(52,260)
Other Financing Sources (Uses)								
Operating Transfers In (Out)	-	-	1,041	-	-	8,235	-	9,276
Sale of Assets	-	-	-	500	-	-	-	500
Proceeds from Long-Term Debt	-	-	-	<u>52,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,895</u>
Total Other Financing Sources (Uses)	-	-	1,041	53,395	-	8,235	-	62,671
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	2,630	132	445	3,216	2,228	932	828	10,411
Fund Balance - July 1, 2003	<u>143,804</u>	<u>(76)</u>	<u>-</u>	<u>79,527</u>	<u>22,531</u>	<u>5,610</u>	<u>45,807</u>	<u>297,203</u>
Fund Balance - June 30, 2004	<u>\$ 146,434</u>	<u>\$ 56</u>	<u>\$ 445</u>	<u>\$ 82,743</u>	<u>\$ 24,759</u>	<u>\$ 6,542</u>	<u>\$ 46,635</u>	<u>\$ 307,614</u>

HOLTON TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance - Fire Fund - Budget and Actual For the Fiscal Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property Taxes	\$ 79,062	\$ 78,318	\$ (744)
Fire Runs and Contracts	24,034	27,606	3,572
Interest	5,000	1,002	(3,998)
Refunds	6,000	75	(5,925)
Other Revenue	<u>-</u>	<u>420</u>	<u>420</u>
Total Revenues	114,096	107,421	(6,675)
Expenditures			
Public Safety			
Salaries and Wages	37,000	29,778	7,222
Payroll Taxes	-	2,245	(2,245)
Pension Expense	-	1,573	(1,573)
Supplies - Operating	6,000	2,153	3,847
- Repair and Maintenance	10,000	8,539	1,461
Professional Services	9,000	6,567	2,433
Education and Training	5,000	2,844	2,156
Printing and Publishing	1,000	143	857
Transportation	3,000	1,918	1,082
Insurance	15,000	14,303	697
Utilities	7,000	6,052	948
Repair and Maintenance	7,000	6,989	11
Miscellaneous	12,000	39	11,961
Capital Outlay	<u>30,000</u>	<u>21,648</u>	<u>8,352</u>
Total Expenditures	<u>142,000</u>	<u>104,791</u>	<u>37,209</u>
Excess Revenues Over (Under) Expenditures	(27,904)	2,630	30,534
Other Financing Sources (Uses)			
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>\$ (27,904)</u>	2,630	<u>\$ 30,534</u>
Fund Balance - Beginning of Year		<u>143,804</u>	
Fund Balance - End of Year		<u>\$ 146,434</u>	

HOLTON TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance - Fire Volunteer Fund - Budget and Actual For the fiscal Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Other Revenue	\$ 2,000	\$ 266	\$ (1,734)
Expenditures			
Public Safety			
Operating Supplies	<u>500</u>	<u>134</u>	<u>366</u>
Excess Revenues Over (Under) Expenditures	<u>\$ 1,500</u>	132	<u>\$ (1,368)</u>
Fund Balance - Beginning of Year		<u>(76)</u>	
Fund Balance - End of Year		<u>\$ 56</u>	

HOLTON TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance - Liquor Law Enforcement Fund - Budget and Actual For the Fiscal Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
State Sources	\$ 1,125	\$ 1,142	\$ 17
Interest	<u>-</u>	<u>2</u>	<u>2</u>
Total Revenues	1,125	1,144	19
Expenditures			
Public Safety			
Salaries and Wages	1,500	1,625	(125)
Payroll Taxes	<u>100</u>	<u>115</u>	<u>(15)</u>
Total Expenditures	<u>1,600</u>	<u>1,740</u>	<u>(140)</u>
Excess Revenues (Expenditures)	(475)	(596)	(121)
Other Financing Sources			
Transfers In	<u>-</u>	<u>1,041</u>	<u>1,041</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (475)</u>	445	<u>\$ 920</u>
Fund Balance - Beginning of Year		<u>-</u>	
Fund Balance - End of Year		<u>\$ 445</u>	

HOLTON TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance - Fire Equipment Fund - Budget and Actual For the Fiscal Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property Taxes	\$ 27,642	\$ 27,374	\$ (268)
Interest Earned	<u>1,200</u>	<u>908</u>	<u>(292)</u>
Total Revenues	28,842	28,282	(560)
Expenditures			
Capital Outlay		52,895	
Debt Service			
Principal Retirement		23,498	
Interest		<u>2,068</u>	
Total Expenditures	<u>30,000</u>	<u>78,461</u>	<u>(48,461)</u>
Excess Revenues Over (Under) Expenditures	(1,158)	(50,179)	3,874
Other Financing Sources			
Sale of Assets	-	500	500
Proceeds from Long-Term Debt	<u>-</u>	<u>52,895</u>	<u>52,895</u>
Total Other Financing Sources	-	53,395	53,395
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (1,158)</u>	3,216	<u>\$ 4,374</u>
Fund Balance - Beginning of Year		<u>79,527</u>	
Fund Balance - End of Year		<u>\$ 82,743</u>	

HOLTON TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance - Street Light Fund - Budget and Actual For the Fiscal Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Current Property Tax	\$ 6,500	\$ 7,121	\$ 621
Interest	<u>-</u>	<u>53</u>	<u>53</u>
Total Revenues	6,500	7,174	674
Expenditures			
Public Works			
Public Utilities	<u>5,400</u>	<u>4,946</u>	<u>454</u>
Excess Revenues Over (Under)			
Expenditures	<u>\$ 1,100</u>	2,228	<u>\$ 1,128</u>
 Fund Balance - Beginning of Year		<u>22,531</u>	
 Fund Balance - End of Year		<u>\$ 24,759</u>	

HOLTON TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance - Roads, Sidewalks and Bridges Fund - Budget and Actual For the Fiscal Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
National Forest Interest		\$ 2,985 <u>1</u>	
Total Revenues	\$ -	2,986	\$ 2,986
Expenditures			
Public Works			
Contracted Services	<u>11,000</u>	<u>10,289</u>	<u>711</u>
Excess Revenues Over (Under)			
Expenditures	(11,000)	(7,303)	3,697
Other Financing Sources			
Transfers In	<u>-</u>	<u>8,235</u>	<u>8,235</u>
Excess Revenues and Other Financing Sources Over (Under)			
Expenditures and Other Financing (Uses)	<u>\$ (11,000)</u>	932	<u>\$ (11,932)</u>
Fund Balance - Beginning of Year		<u>5,610</u>	
Fund Balance - End of Year		<u>\$ 6,542</u>	

HOLTON TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance - Perpetual Care Fund - Budget and Actual For the Fiscal Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Interest		\$ 350	
Other		<u>478</u>	
Total Revenue	\$ -	828	\$ 828
 Fund Balance - Beginning of Year		<u>45,807</u>	
 Fund Balance - End of Year		<u>\$ 46,635</u>	

HOLTON TOWNSHIP

Combining Balance Sheet - All Trust and Agency Funds June 30, 2004

	Tax Collection Fund	Trust and Agency Fund	Totals
ASSETS			
Cash	<u>\$ 2,779</u>	<u>\$ 1,642</u>	<u>\$ 4,421</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Due to Other Funds	\$ 2,778	\$ 419	\$ 3,197
Due to Other Units	<u>1</u>	<u>1,223</u>	<u>1,224</u>
Total Liabilities	2,779	1,642	4,421
Fund Equity	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>\$ 2,779</u>	<u>\$ 1,642</u>	<u>\$ 4,421</u>

HOLTON TOWNSHIP

Statement of Changes in Assets and Liabilities - Tax Collection Fund For the Fiscal Year Ended June 30, 2004

	<u>Balance</u> <u>06/30/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/04</u>
ASSETS				
Cash	<u>\$ 2,983</u>	<u>\$ 1,186,671</u>	<u>\$ 1,186,875</u>	<u>\$ 2,779</u>
LIABILITIES				
Due to Other Funds	\$ 2,981	\$ 144,968	\$ 145,171	\$ 2,778
Due to Other Units	<u>2</u>	<u>1,041,703</u>	<u>1,041,704</u>	<u>1</u>
Total Liabilities	<u>\$ 2,983</u>	<u>\$ 1,186,671</u>	<u>\$ 1,186,875</u>	<u>\$ 2,779</u>

HOLTON TOWNSHIP

Statement of Changes in Assets and Liabilities - Trust and Agency Fund For the Fiscal Year Ended June 30, 2004

	<u>Balance</u> <u>06/30/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/04</u>
ASSETS				
Cash	\$ 1,477	\$ 1,632	\$ 1,467	\$ 1,642
Accounts Receivable	<u>114</u>	<u>-</u>	<u>114</u>	<u>-</u>
Total Assets	<u>\$ 1,591</u>	<u>\$ 1,632</u>	<u>\$ 1,581</u>	<u>\$ 1,642</u>
LIABILITIES				
Due to Other Funds	\$ 411	\$ 409	\$ 401	\$ 419
Due to Other Units	<u>1,180</u>	<u>1,223</u>	<u>1,180</u>	<u>1,223</u>
Total Liabilities	<u>\$ 1,591</u>	<u>\$ 1,632</u>	<u>\$ 1,581</u>	<u>\$ 1,642</u>

HS Companies



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



September 22, 2004

Township Board
Holton Township
P.O. Box 328
Holton, MI 49425

Dear Board Members:

We have audited the financial statements of Holton Township as of and for the year ended June 30, 2004 and issued our report thereon dated July 28, 2004. As a part of our audit, we studied and evaluated the Township's accounting and administrative controls as well as compliance with laws having a bearing on the fair presentation of your financial statements. Because this study was only part of the overall audit plan, it is not intended to be a complete review of all your accounting procedures; and, therefore, would not necessarily disclose all weaknesses in your system. Accordingly, we offer the following comments and recommendations:

Books and Records

We would like to commend the clerk and treasurer again for the good condition of the books and records this year. There were only a few transactions that caused the cash balances of the clerk and treasurer to differ, and these were mainly timing differences. We would like to stress the importance of having both the clerk and treasurer report the same cash balances at the end of each month. This will ensure interest, bank charges, voided checks and other transactions will be recorded.

Last year we recommended the clerk allocate interest income to the appropriate fund in lieu of recording all the interest into the General Fund. As of 6/30/04, all interest income was still being recorded in the General Fund. Again we recommend the clerk set up new interest income accounts in the accounting system and use these accounts to allocate interest to the appropriate fund. This will ensure cash and interest will be recorded properly.

We also want to recognize the great job that was put into creating a list of fixed assets held by the Township. This list was required to comply with the new GASB 34 reporting model.

OCT 19 2004
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Transfer Station

Information on the transfer station has been a part of this letter for the past several years. Even though it has been the Board's position that this is a service to be provided in part by the Township, it is important to remind the Board of the lack of internal control over cash collections and the cost to the Township. We recommend the Board review collections for reasonableness and timeliness each month to help ensure all revenues are being reported. For fiscal year ended June 30, 2004, transfer station revenues were \$22,595, while expenditures were \$34,285, creating a deficit of \$11,690. This is the lowest deficit since June 30, 2001.

Budgeting

In the past, we have made recommendations regarding information that is required to be included in a budget and suggestions on the way the budget should be presented. With the conversion to GASB 34, it is more important than ever that the budget is presented as recommended by the Michigan Department of Treasury Uniform Budget Manual. The budget must be completed for each individual fund (general, fire operating, fire volunteer, fire equipment, liquor fund, perpetual care, street lights, and road, sidewalks, and bridges). Currently most funds are combined into one budget. This makes it difficult to determine which revenues and expenditures belong to the respective fund and to determine if expenditures will exceed revenues. An example budget from the Michigan Department of Treasury Uniform Budget Manual is attached for your convenience.

It is not too late to present the 2004-2005 budget consistent with the Michigan Department of Treasury. All the information is available. It is a matter of presentation.

Liquor Fund

Over the past few years the Liquor Fund expenditures have exceeded revenues. Transfers from the General Fund have been necessary to avoid reporting a negative fund balance. Historically this fund has needed an operating transfer in from the General Fund of approximately \$600 annually. We recommend the Board approve the required transfer annually. Furthermore, if the Board appropriately prepared a budget for this fund, the Board should be able to predict the actual needed transfer.

It has been a pleasure working with Holton Township and the courtesy extended to us. If you have any questions or would like help implementing any of the above procedures, please let us know.

Respectfully submitted,

Hendon & Slate, P.C.

Hendon & Slate, P.C.
Certified Public Accountants